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Valley doctors give up offices for security of hospital practice

Dennis McGee and Robert Walker are orthopedic surgeons who foresaw a shaky future for private practice and, within about six months of each other, joined local hospital systems. They are two of more than 100 physicians who have become part of the growing Saint Alphonsus and St. Luke's health systems since last summer.

McGee moved to Boise 20 years ago. He went into private practice, ending up with a group of similar specialists. But it got harder and "wildly expensive" to keep up-to-date with technology, equipment, electronic medical records, privacy rule changes, imaging facilities "and of course the cost of replacing all of that," he said. McGee's group sold the Intermountain Orthopaedics practice last year to St. Luke's. McGee himself went to work for Saint Alphonsus, because he already saw most of his patients there.



Across town, Walker had been practicing in Boise for 18 years. He liked being a business owner and giving people jobs. But his group of seven providers at Boise Orthopedic Clinic joined St. Luke's in June 2010. The sports

Dr. Dennis McGee visits his patient, Roy Allen, who had knee replacement surgery at Saint Alphonsus Regional Medical Center. McGee has spent 20 years working in Boise as a surgeon, but he decided to join Saint Alphonsus this year because it got too hard and expensive to stay technologically up-to-date otherwise.

medicine specialist wanted "the economies of scale that don't exist when you're dealing with a lot of independent groups." Now he can do things such as a communitywide sports concussion program. But his wife, who's also a doctor, is staying independent for now.

The number of doctors on the payroll of the two local health systems has surged. A particularly large wave of physicians moved into local hospitals in the time since the health care reform law was enacted in March 2010.

- Between September 2010 and June 2011, Saint Alphonsus brought 19 doctors on board, for a total of 172. It also employs 41 nurse practitioners.
- For St. Luke's — where the total employee headcount is near 10,000 — the doctor staff grew by about 50 percent in a year's time. Between June 2010 and June 2011, it added about 100 physicians. It now employs nearly 300 doctors.

There's no single reason for this — though new incentives for medical providers who gather data and upgrade to electronic records systems are frequently cited business concerns for independent doctors. It's a national trend;

hospitals and health systems bought about twice as many physician practices in 2010 as in 2009, according to Irving Levin Associates Inc., which studies investment trends in health care.

“Recent health care reform may well have spurred some of this activity,” the company wrote in a 2011 report, adding that “we expect to see more hospitals acquire physician practices as they strive to create accountable care organizations.”

HOW IT WORKS

There are two basic models for a doctor to work with a hospital — as an employee or as an independent contractor — said Kurt Seppi, executive medical director for the St. Luke’s medical system. He has been on St. Luke’s payroll since August 2010.

Working as a hospital employee is now “the most common model in the Treasure Valley,” Seppi said. Electronic records systems are “very, very expensive” and are “probably the biggest example” of the reason doctors are joining hospital systems, he said.

“You really have to have some kind of a health care system that can act as ... a focus point for the decision” on the record systems, he said.

Doctors who jumped the private-practice ship have mentioned common themes.

Uncertain future: “There’s so much risk,” McGee said. “If we would go out and, say, buy an MRI [machine], and a year later the government would declare that private doctors can’t own an MRI, that would be a disaster. Because the bank doesn’t care. We’d have to pay it off.”

Federal rules: “It’s not so much health care reform as health insurance reform and reimbursement reform,” Walker said. “There may be some fallout from that.”

But Walker and his group started mulling a deal with St. Luke’s two and a half years ago, before the health care law passed. “The federal government put a process in place that will make it almost impossible for a system not to have electronic medical records in place,” he added. “It is a factor that, I’m sure, figures into (some physicians’) decision-making.”

Peace of mind: Beth Malasky, a cardiologist, was recruited by Saint Al’s and moved to Boise about a year ago. She was never interested in work outside of a hospital system, she said. “I think a lot of people who come from private practice feel tremendously unburdened ... Now there’s an infrastructure that addresses the finances, the politics,” she said. “There is a sense of being insulated and protected from the ups and downs ... and what’s coming down the pike from the government.”

Better suits their skill set: “Doctors, in general, aren’t completely skilled in monitoring business and doing spreadsheets,” said McGee.

Four-hour late-night meetings to talk about computer systems, answering telephones, seeing patients quickly and divvying up the practice’s income “may have worn us out,” he said. He felt torn between being “the clinician you want to be and the businessman you have to be.”

The extra expenses: McGee said age factored into his decision. He figures retirement is five or 10 years away. It didn’t make sense to borrow “hundreds of thousands of dollars” to maintain the first-class private practice they wanted.

Malasky said she was sold on the idea she wouldn't have to worry about the billing and finances and could to take patients regardless of whether they could pay — harder for a single provider who pays six employees, liability insurance, office rent and overhead. “I didn't want my practice to be defined by making money. That was the bottom line,” she said.

Steve Greenberg, another Saint Al's doctor who re-joined the hospital system in 2008 after several years working on his own and at Terry Reilly, works in a Saint Al's clinic that sees mostly refugees and immigrants. The nonprofit hospital, which is required to take anyone, gave him flexibility to work with Medicaid patients, he said — flexibility he could not afford on his own.

“Probably 60 to 70 percent” of his patients now are on Medicare or Medicaid. To be profitable, a lone doctor would limit that to 10 or 15 percent, he said.

“We actually had some of the financial people come out and look at it, and they all scratched their heads and said, ‘Are you truly making money for anybody?’ No, we're losing money for them,” Greenberg said.

More resources and manpower: “I'm still doing the same work that I did,” McGee said. “I submit the codes or the diagnoses of the work that's being performed. ... The difference now is Saint Al's owns the person who does (billing), and they're not doing it exclusively for me, and it's much more efficient.”

At Saint Al's, Malasky said, there's a sleep doctor he can send patients to if they need a sleep study.

WHAT IT MEANS FOR PATIENTS

Doctors might get support staff from the hospital. McGee says every day, an X-ray technician, two medical assistants and a nurse practitioner from Saint Al's show up to help him.

“I don't feel that the hospitals really want to disrupt what the doctors are doing, as far as the practice of medicine goes,” McGee said. “The relationship in Boise has been that the hospitals have gone ahead and hired the doctors' employees as well.”

He added that moving into Saint Al's offices caused “some disruption, and (there) was some hardship on my patients for sure, because change ... does cause anxiety, and we did have quite a bit of clunkiness when we got to the new place.”

What kind of clunkiness? A new, different X-ray machine and computer system. Saint Al's “was very supportive from an administrative standpoint,” McGee said.

ACCOUNTABLE CARE ORGANIZATIONS

Hospitals and physician groups alike are weighing the costs and benefits of doing “accountable care organizations.” ACOs are still-being-defined models where reimbursements are tied to high-quality, efficient medical care. “Financial, demographic and epidemiologic factors” are making people look at experimental models like ACOs, said Janelle Reilly, chief strategy and accountable-care organization officer for Saint Alphonsus Health System.

Those factors have “accelerated the rate at which Saint Alphonsus is integrating with physicians and other providers,” Reilly said. But “integrating” doesn't necessarily mean buying their practices, she added. Saint Al's doctors will be part of an “accountable physician network,” Reilly said. They'll be “rewarded by an incentive payment system” for high performance, working together and treating people with chronic diseases, she said.